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TRIP REPORT NO. MOL-2

## **ASSISTANCE TO EXPERIMENTAL RAYONS TO DEVELOP MANAGED CARE IN THE REPUBLIC OF MOLDOVA**

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Prepared under Task Order 314 by:  
Warren Paley, M.P.H.  
Nancy Stewart, M.I.A.

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## **EXECUTIVE SUMMARY**

Currently, the Moldovan Ministry of Health (MOH) has an active department devoted to health care reform. Under a grant from USAID administered by Abt Associates Inc., a group of senior health officials involved in reform spent a week in the US to study the US and Canadian health care systems.

The HMO approach, combining health care financing and the health service provision in one organization, was a model that the Moldovans expressed interest in emulating. Their visit to Community Health Plan (CHP), an HMO with members in Massachusetts, New York, and Vermont, prompted the delegates to invite the founder and Chairman of CHP and an associate to Moldova as consultants to assess the reform experiments.

The reform department in the MOH has set up four active rayon experiments: two in rural areas, one in an urban district, and one in a suburban district. Only three of the four experiments could be reviewed. Progress to date has been outstanding, including the setting up of insurance functions, closing of hospital beds, changing the emphasis from inpatient to outpatient primary care, and creating enabling legislation to move decision making from the central Ministry to autonomous decentralized health districts.

The consultants reviewed the experiments and, as credible outsiders, helped convince the public and officials that the reform movement was progressing admirably. The consultants also made a series of recommendations to continue health care reform.

## **BACKGROUND**

In June of 1995, Abt Associates sponsored the visit of seven senior health officials from Moldova to the United States and Canada to study alternative health care systems with particular emphasis placed on financing. Members of the delegation included the Chair of the Committee for Social, Health Protection, and Ecology in Parliament; Chief of the Personnel Department at the Ministry of Health (MOH); the Chief of the Department of Medical Assistance Insurance and Implementation of Reforms in the MOH; and four Chief Physicians, each in charge of the a reform experiment for their own rayon. The delegation visited government health departments, hospitals, outpatient centers, insurance companies, an HMO, and a medical college.

One effective learning opportunity was a visit to Community Health Plan (CHP) under the direction of its Chairman and founder, Warren Paley. CHP is a not for profit staff model HMO with an expanded provider network serving 400,000 people in New York, Massachusetts and Vermont through 42 health centers and 5,000 physicians. The Moldovans were keenly interested in how CHP and other HMOs integrated the provision of health care with risk under a health insurance program. They were particularly interested in CHP's work with Albany Medical College in the development of an HMO in Tula, Russia. Consequently, the Moldovan group invited Warren Paley and Nancy

Stewart of Albany Medical College to Moldova to analyze the existing reform experiments and make recommendations for further HMO development.

## **OVERVIEW**

### *Moldova*

Moldova became independent of the Soviet Union in 1990; it had been annexed by the Soviet Union in 1940 as part of an agreement between Stalin and Hitler. Between 1917 and 1940 it had been part of Romania. A territory prized for its wines and strategic location, Moldova has always been coveted by the Russians. However, throughout much of its history, from Medieval times to the War of 1812, it has been allied with the Transylvanians and the Valhains in a configuration that was known as Romania. The country now has 4,500,000 people with an official language of Moldovan (Romanian) which a significant portion of the population cannot speak: most of the younger population is fluent in Russian only. It was estimated by a recent opinion poll that 40 percent of the population want to remain an independent country, 35 percent want to return to Romania and 25 percent want to rejoin Russia. The economy is predominately agricultural with tobacco, sugar beets, wheat, oats, wine grapes, and sunflower grains being the main crops. The country is dependent on Russian fossil fuels and its currency is relatively stable with little or no inflation.

### *Health System Characteristics*

The Moldovan health system is patterned after the Soviet model, centrally planned and operated. Payments to institutions are based on historical budgets. Such a system promotes inappropriate utilization of all components of care including inpatient and outpatient facilities, as the directors responsible for the various institutions protect their revenue stream by maximizing their historical budget. Examples of some of the problems with the current system are:

- High hospital admission rates
- More beds per capita than other countries in the region
- Average length of stay: 18 days
- Diagnostic services that promote hospitalization
- Custodial care provided in a hospital setting
- Specialist based care system
- Specialized hospitals
- Aging and/or lack of medical equipment
- Overemphasis on placebo type therapies due to lack of technological and medical solutions
- Lack of medical management
- Redundancy of services
- Tremendous waste of facility space
- Self referrals

- Lack of adequate telephone system and appointment scheduling
- Separation of adult and children facilities
- Lack of quality control
- Not patient oriented
- Deteriorating hygiene standards

Furthermore, the entire health system is underfinanced by roughly 50 percent. Current budgets are used to fulfill minimum obligations for staff salaries, basic medical supplies, and necessary food. Other expenses are funded by mounting debt.

### *Ministry of Health Reform Experiments*

The observations above are recognized by the Ministry of Health, which has created a department devoted to Health Reform. Dr. Alexei Fedorovich Russu, head of this department, developed the following goals for experimental reform projects:

- Decentralize decision making
- Allow per capita financing to develop
- Assure constant payment

To carry out those goals, new enabling legislation allowed four experiments to operate with autonomous decision making under the MOH's discretion. The first steps were to choose four rayons representing a cross section of the Moldovan population with pro-reform Chief Physicians. Ultimately, the rich northern rayon of Dondusht, the central rural and poorer rayon of Sholdanesht, a central city district in the capital of Kishinev, and a suburb of Kishinev, Aneni Noi, were selected. Each rayon was authorized to create an insurance fund, which would receive payments from the government, individuals, and employers. The insurance fund would be responsible for financing and managing the system.

## **ACTIVITIES/FINDINGS**

### **Kishinev**

**Chief Physician responsible: Dr. Mihai Antoniv Ciobanu**

Kishinev is a city of 740,000 people divided into five districts, each with a medical association of physicians. Dr. Ciobanu is responsible of a district with a population of 120,000. The medical association in Dr. Ciobanu's experimental district has formed the first insurance company in the city of Kishinev, a joint venture between the medical association and the newly formed insurance corporation, ASIMED. Dr. Ciobanu has separated outpatient care and hospital care in his four-polyclinic district. He has estimated there to be 1,400,000 visits to physicians per year in the polyclinics, at an estimated cost per visit is ten lei (roughly \$2). However, only twenty percent of these costs are currently covered by the government. The deficit is covered by savings from last year, and a small

percentage (0.7 percent) comes from private donations. Therefore, the district lives in a constant state of debt. The insurance company was founded to help finance the system and expects to get its revenue from enterprises and from the government. Any citizen can become a member and keeps the right to choose any physician within the district.

Dr. Ciobanu's insurance company, formed July 1 of this year, is considering several different types of policies, with three different levels of benefit restrictions. Since the insurance company's inception, 2,400 members have signed contracts, mostly the affluent. Possibly because of statements that those with insurance membership will get better care, an insurance company survey of the people in Kishinev found that seventy percent of the population wanted health insurance. Although the people indicated their desire for health insurance, it was not clear whether they fully understand financing or benefits. The insurance company seeks to expand its membership base.

Dr. Ciobanu has made significant strides in reducing patient stays in the hospital. He has established an outpatient surgery center for many of the procedures that formerly required a five day patient stay. However, this surgery center lacks much of the medical equipment to perform more complicated procedures.

Diagnostic services have been consolidated in one of the polyclinics, which has become the premier center for Moldova and gets referrals from throughout the city. Dr. Ciobanu is considering these services to be another possible source of revenue.

Currently, thirty percent of the district health budget goes to outpatient facilities and seventy percent to hospitals. Dr. Ciobanu wants to reverse this proportion.

### *Recommendations*

Dr. Ciobanu needs a commitment from the government that the experiment can act autonomously. The insurance company needs to manage the care of both employees from major industries and the government-sponsored individuals in order to effectively operate a managed care program. Funds that are allocated from the government need to be distributed on a consistent basis—e.g., once per month. Please see the recommended strategic plan for the insurance company.

### **Dondiushan Chief Physician responsible: Dr. Leonid Ivanovich Zacharia**

Dondiushan has a population of 72,000, served by 23 medical centers, 13 outpatient centers, and 4 hospitals. Dr. Zacharia has been able to form a strong relationship with the municipal government and therefore has been given much of the autonomy necessary to implement his ideas of reform.

One of his first accomplishments was to close two underutilized hospitals in the rural areas of the rayon. Some of the staff were retired, but others were reemployed by two new services: a home care service and an outpatient surgery center. Dr. Zacharia reemployed

only the doctors with the highest qualifications. He boasts that over two thirds of the doctors in his district have passed tests placing them in the highest rankings for physicians in Moldova.

Eliminating the two outlying hospitals provided the rayon with 2,500,000 lei in savings. After his trip to the United States, Dr. Zacharia persuaded the municipal government to set up an insurance fund. Eighteen prominent individuals contributed 160,000 lei to begin the fund.

The insurance fund will provide two benefit packages: a standard set of benefits that sustains health and a set of above-standard services that includes luxuries such as private rooms, televisions, etc. He plans to increase the physicians' salaries by 60% and to put any remaining surplus into better medical equipment.

### *Recommendations*

Dr. Zacharia already has many of the elements necessary to achieve his reform objectives. He has the support of the government and the leading members in his rayon. He has undertaken to eliminate many of the inefficiencies in his district's health system. However, his team lacks the necessary training in areas such as risk analysis and financial planning that are necessary to operate an insurance company. He also requires a medical information management system that could integrate both the clinical and the financial aspects of health care.

### **Sholdanesht Chief Physician responsible: Dr. Ion Feonovich Kaluger**

Sholdanesht is a centrally located agricultural region where the largest source of income is tobacco farming, followed by wheat farming. The total population of the rayon is 47,000, of which 16,500 are children and 11,000 are pensioners. There were 900 births last year, with a high infant mortality rate of 23.1/1000. Furthermore, there is also an excessive incidence of hepatitis and dermatitis in Sholdanesht versus the rest of the country.

Dr. Kaluger attributes the poor health statistics of the region to its location on the river. He noted that some of the country's poorest villages were located in this rayon and were dependent on the river for washing and drinking water, which may be responsible for Moldova's high incidence rate of cholera.

Despite the poor outcomes in health, Dr. Kaluger was able to show some impressive outcomes from his reform experiment. He has reduced hospital beds from 570 to 495 the average length of stay in his hospital to 10 percent less than the Moldovan average. The underutilized medical centers in the outlying regions have been closed or turned into emergency treatment centers. Some of the medical staff were reemployed in existing institutions, while others were retired.

To finance health care, the Sholdanesht council adopted a law to form an insurance company. Before Dr. Kaluger traveled to the U.S., the approach to health care financing was to cost out all procedures and arrive at a price for insurance reimbursement. After the trip, Dr. Kaluger persuaded the council to allocate funds on a per capita basis. They determined that 204.5 lei was needed per person. This amount would fund a basic health care package including pharmaceuticals but excluding stomatology (dentistry) and eyeglasses.

Six employers agreed to pay the per capita amount for their 17,000 employees, and district officials have agreed, in principle, to cover the remaining 30,000. The per capita amount will be the same for 100 percent of the population.

Dr. Kaluger, unlike some of the other experimental rayons, enjoyed a computerized cost system. As a result, cost analyses are sophisticated enough to support budgetary and risk calculations. The groundwork has been prepared for the integration of finance and care decision making.

To create an insurance company, Dr. Kaluger was required by law to deposit 500,000 lei in a taxable bank account. As funds of this amount were unavailable, another hospital account was opened and was called “Insurance House” so as to avoid taxation.

The major problems associated with the Sholdanesht experiment are as follows:

- The ability of district officials to deliver payment for 30,000 non employees
- Budget does not allow for any advancement in technological equipment
- No support for training primary care physicians to managed care
- No support for basic health insurance training

### *Recommendations*

Several finance schemes are being considered by the Sholdanesht council to raise funds should the government not succeed in delivering the agreed amount. Some of these ideas include having people pay for screening tests, developing better care packages for the employed, initiating copayments, etc. It was strongly recommended that that a community capitation rate be adhered to—i.e., everyone pays the same amount for the same set of benefits. Additionally, paying for testing was strongly discouraged. However, a review of guidelines surrounding the frequency of testing was recommended to discourage overutilization. Additional payments for “luxury services” such as semi private room and copayments from those who could afford them were discussed as possible solutions.

## RECOMMENDATIONS

### *Assistance Provided to Government Officials*

The MOH was very interested in promoting their reform ideas to the local municipal governments and to the public. The consultants were used as experts to convince officials that the plans were working and that reform needed to be expanded. The consultants were able to persuade the mayor of Kishinev to redraft legislation enabling the insurance company to have more autonomy in implementing reform plans. Additionally, the consultants held television interviews and press conferences applauding the steps taken thus far in reform, making additional recommendations for reform and recommending that reform be continued and expanded.

### *Recommendations for Draft Legislation*

1. All insurance companies should be not-for-profit for the first seven years, with all not-for-profit surplus being returned into the system.
2. Local autonomy: all decisions affecting health care should be made within the medical association fund or a local not-for-profit insurance company.
3. The insurance company should be charged with the responsibility of providing all care for the membership it serves.
4. Establish table of minimum benefits and services that must be provided and covered by insurance companies.
5. Benefits must include preventative practices.
6. There can be multiple benefit packages.
7. All insurance companies must community rate all benefit packages whether individual or group enrollment or government sponsored.
8. All government support to the insurance company should be made on a per capita basis for the uninsured at the same level required for the insured.
9. Insurance companies should be allowed to charge registration fees or copayments up to ten percent of value.
10. Insurance companies should be allowed to offer incentive programs for changes in health behavior—e.g., for smoking cessation.
11. Employers should be allowed to receive incentives for workplace health promotion.
12. Insurance companies should be able to expand beyond district borders.
13. Membership should be allowed to reaffirm or drop insurance program annually.
14. Residents should be able to receive care or join insurance programs other than the home district's.
15. Insurance companies should be allowed to broadly market their programs.
16. Disallow insurance companies from selective market practices.
17. Insurance companies must allow open enrollment—i.e., insurance companies must market to all comers, all risks, all ages, whether individual enrollment or by groups.
18. No more than two insurance companies should be licensed per district.

19. Insurance companies must conform to an established level of health outcomes for quality control.

*Strategic Plan for Kishinev Insurance Company*

Steps to follow:

- Pass enabling legislation that will allow the insurance company to be responsible for all persons in the district whether they are technically insured or not.
- Obtain tax benefits from the municipality to offset the costs of taking risks for the rest of the uninsured population.
- Develop management structure that integrates the insurance company with the management of the medical association.
- Contain all the responsibility of managing both inpatient and outpatient care and preventive care within the insurance company.
- Develop a minimum set of benefits that are comprehensive enough to include all care (including tests and pharmaceuticals) necessary to sustain health.
- Create a policy that assures all people under the aegis of the insurance company receive the same benefits.
- Develop a “luxury policy” that provides additional services such as semi private room, telephone within the room, better food selection, etc. Luxury policies should not differentiate the medical care provided.
- Develop a system of copayments based on ability to pay that may subsidize basic benefit programs.
- Return any surplus to the system through health education programs, better medical equipment, and improved facilities.
- Develop an incentive system for the entire staff.
- Develop a plan to reduce inefficiencies in care, use of personnel, and use of space.
- Install a management information system to integrate patient care and finances.

## ANNEX A

13–18 August 1995

### Trip Meetings/Persons Contacted

1) 14 August—Chisinau

Chimericiuc Petru Ion.  
Vice-Minister of Moldova Ministry of Health.  
tel. (373-2) 72-95-92

Russu Alexei.  
Chief of the Health Care Reforms Department in MOH  
tel. (373-2) 72-96-53

Ciobanu Mihai Anton.  
Chief of the Chisinau Central District, Polyclinic No. 1.  
tel. (373-2) 26-24-27

Glavan Adela Vasile.  
Vice-Director on Health Care Issues, Polyclinic No. 1.  
tel. (373-2) 26-25-39

Sava Valeriu M. (18.08 meeting was canceled)  
Executive Director of the Insurance Company “ASIMED Moldova.”  
tel. / fax: (373-2) 26-14-21

Tafuni Nicolae.  
Vice-Director on Health Care Issues, “ASIMED Moldova.”  
tel. (373-2) 26-14-21

Padure Galina.  
Chief of the Diagnostic Centre Laboratory.

Savin Victor Vasile.  
Chief of the Health Care Department in Chisinau Municipality.  
tel. (373-2) 23-70-98

2) 15 August—Chisinau

Urekian Serafim A.  
Mayor of Chisinau.  
tel. (373-2) 22-10-02 / 23-33-40  
fax (373-2) 23-46-70

3) 16 August—Dondiushan Region

Vascautanu Anatolii Trofim.  
President of the Dondiushan Executive Committee.  
tel. (251) 226-50

4) 17 August—Sholdanesht Region

Kalugar Ion Feorovich.  
Chief of the Central Regional Hospital.  
tel. (272) 224-48, home:222-23

5) Chisinau—18 August

Lozinsky Raisa.  
Moldova State Orphanages Department.  
tel. (373-2) 23-27-46